

House File 2111 - Introduced

HOUSE FILE 2111

BY HESS

A BILL FOR

1 An Act providing an exemption from usury provisions for
2 pawnbrokers.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 535.2, Code 2014, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 8. *a.* This section does not apply to
4 pawnbroking transactions made by a pawnbroker in a pawn store.
5 *b.* For the purposes of this subsection:

6 (1) "*Pawnbroker*" means any person authorized by law to
7 engage in the business of conducting pawnbroking transactions.
8 "*Pawnbroker*" does not include any bank regulated by this state,
9 the comptroller of the currency of the United States, the
10 federal deposit insurance corporation, the board of governors
11 of the federal reserve system, or any other federal or state
12 authority or their affiliates; any bank or savings association
13 whose deposits or accounts are eligible for insurance by the
14 federal deposit insurance corporation or any successor thereto
15 or an affiliate of such bank or savings association; any state
16 or federally chartered credit union; or any industrial loan or
17 thrift company or regulated lender subject to licensing and
18 regulation by the department of commerce.

19 (2) "*Pawnbroking transaction*" means any loan on the security
20 of pledged goods or any purchase of pledged goods on the
21 condition that the pledged goods are left with the pawnbroker
22 and may be redeemed or repurchased by the seller for a fixed
23 price within a fixed period of time.

24 (3) "*Pawn store*" means the location at which or premises on
25 which a pawnbroker regularly conducts pawnbroking transactions.

26 (4) "*Person*" means an individual, partnership, corporation,
27 limited liability company, joint venture, trust, association,
28 or any other legal entity, however organized.

29 (5) "*Pledged goods*" means tangible personal property
30 other than securities, bank drafts, or printed evidence
31 of indebtedness, that are purchased by, deposited with,
32 or otherwise actually delivered into the possession of a
33 pawnbroker in connection with a pawnbroking transaction.

34 EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1 the explanation's substance by the members of the general assembly.

2 This bill provides an exemption from usury provisions for
3 pawnbrokers.

4 Currently, Code section 535.2 specifies that the maximum
5 lawful rate of interest which may be provided for in any
6 written agreement for the payment of interest is limited to two
7 percentage points above the monthly average 10-year constant
8 maturity interest rate of United States government notes and
9 bonds as published by the board of governors of the federal
10 reserve system for the calendar month second preceding the
11 month during which the maximum rate based thereon will be
12 effective, rounded to the nearest one-fourth of one percent
13 per year. The bill exempts pawnbroking transactions made by a
14 pawnbroker in a pawn store from this limitation.

15 The bill provides several definitions relating to this
16 exemption. The bill defines a "pawnbroker" to mean any
17 person who engages in the business of conducting pawnbroking
18 transactions. The bill specifies a list of entities which
19 are not included in the definition of "pawnbroker". The
20 bill defines "pawn store" to mean the location at which or
21 premises on which a pawnbroker regularly conducts pawnbroking
22 transactions. The bill defines a "pawnbroking transaction"
23 to mean any loan on the security of pledged goods or any
24 purchase of pledged goods on the condition that the pledged
25 goods are left with the pawnbroker and may be redeemed or
26 repurchased by the seller for a fixed price within a fixed
27 period of time. Finally, the bill defines "pledged goods" to
28 mean tangible personal property other than securities, bank
29 drafts, or printed evidence of indebtedness, that are purchased
30 by, deposited with, or otherwise actually delivered into the
31 possession of a pawnbroker in connection with a pawnbroking
32 transaction.